



Virginia Healthcare Workforce Briefs

Indicators from the Bureau of Economic Analysis

Regional Economic Accounts

Series 3: Income & Compensation

Series 3, Issue 29

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Highlights

- ◆ In addition to the new income and compensation estimates for Quarter 3 (Q3) 2018 from the Bureau of Economic Analysis (BEA), this report also includes revised estimates from Q1 2018 to Q2 2018.
- ◆ Total earnings in Virginia's Health Care & Social Assistance (HC&SA) sector increased by \$300 million to \$31.18 billion in Q3 2018. Over the past year, total HC&SA earnings in the state have increased by \$1.41 billion.
- ◆ Total employee compensation in Virginia's HC&SA sector increased by \$258 million to \$28.00 billion in Q3 2018. During the past four quarters, total HC&SA compensation in the state has grown by 4.7%.
- ◆ Total HC&SA compensation per employee in Virginia fell by \$23 to \$63,338 in Q3 2018. Regardless, Virginia's total HC&SA compensation per employee has still grown by 3.0% over the past year.

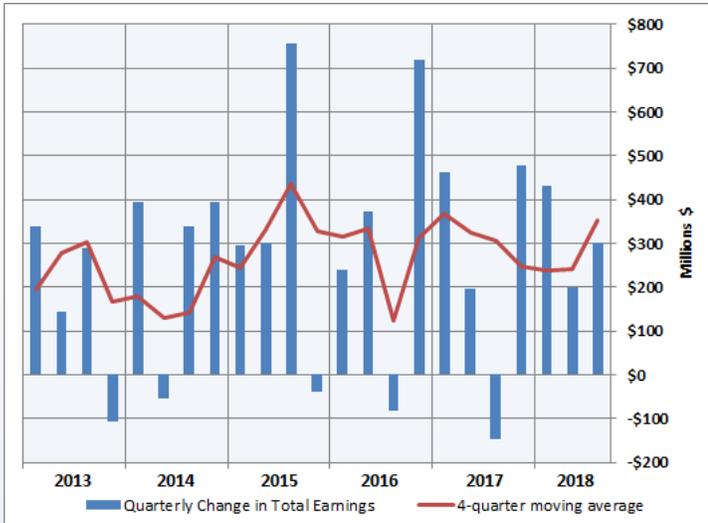
The calendar year is the basis for data in this series. See Page 5 for additional information on this series.

Data in Brief

	Income (Millions of Dollars)				Growth Rate, Annualized		
	Q3 2017	Q1 2018	Q2 2018	Q3 2018	Annual	6-Month	Quarterly
Earnings (Personal income less rents, interest, dividends and government payments)							
Virginia	\$325,036	\$331,024	\$332,236	\$336,296	3.5%	3.2%	5.0%
National	\$1,967,168	\$12,249,136	\$12,339,935	\$12,461,313	4.1%	3.5%	4.0%
Health Care & Social Assistance Earnings							
Virginia	\$29,767	\$30,676	\$30,875	\$31,175	4.7%	3.3%	3.9%
National	\$1,330,298	\$1,364,568	\$1,376,260	\$1,388,265	4.4%	3.5%	3.5%
Health Care & Social Assistance Employee Compensation (Earnings less proprietor's income, includes salaries, wages & benefits)							
Virginia	\$26,756	\$27,568	\$27,746	\$28,004	4.7%	3.2%	3.8%
National	\$1,186,910	\$1,216,560	\$1,227,282	\$1,237,264	4.2%	3.4%	3.3%
Health Care & Social Assistance Compensation per Employee (HWDC Estimate)							
Virginia	\$61,484	\$63,697	\$63,361	\$63,338	3.0%	-1.1%	-0.1%
National	\$60,700	\$61,708	\$61,776	\$62,019	2.2%	1.0%	1.6%

Health Care & Social Assistance Earnings

Figure 1: Quarterly Change in Total Earnings from Virginia’s Health Care & Social Assistance Sector. Includes proprietor’s income, salaries and wages, and benefits.



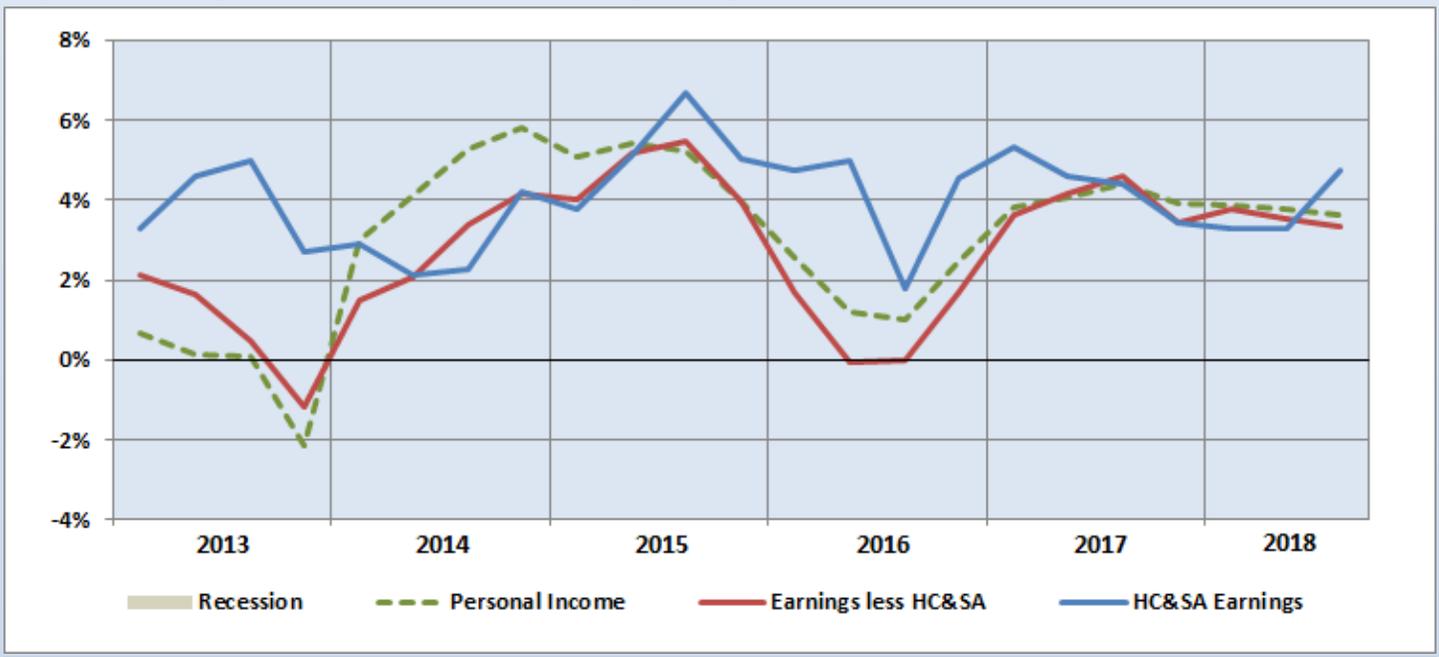
According to data released on Thursday, December 20, 2018 by the U.S. Bureau of Economic Analysis, total earnings in Virginia’s Health Care & Social Assistance (HC&SA) sector increased by \$300 million to \$31.18 billion in Q3 2018, a gain that translates into a 3.9% annualized growth rate. Total HC&SA earnings growth in the state has been quite strong so far in 2018. During the first three quarters of the year, total HC&SA earnings in the state have increased by \$929 million. This represents the best year-to-date gain in total HC&SA earnings in the state since 2015.

In fact, Virginia’s total HC&SA earnings have increased for four consecutive quarters. Thanks to this growth, the four-quarter moving average of the change in total HC&SA earnings increased to a year-and-a-half high in Q3 2018. Over the past year, total earnings in Virginia’s HC&SA sector has increased by an average of \$352 million per quarter.

Virginia HC&SA Earnings Growth Rate

The four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings experienced a significant increase in Q3 2018 from 3.27% to 4.74%, thereby reaching its highest value since Q1 2017. This represents the first time since Q2 2017 in which the four-quarter moving average of the growth rate in Virginia’s total HC&SA earnings has exceeded the comparable moving averages for both the state’s non-HC&SA earnings and personal income. The four-quarter moving average of the growth rate in Virginia’s total non-HC&SA earnings fell slightly in Q3 2018 from 3.54% to 3.35%. This represents the lowest value for the four-quarter moving average of the growth rate in Virginia’s total non-HC&SA earnings so far in 2018. As for Virginia’s personal income, its four-quarter growth rate moving average fell for the fourth consecutive quarter from 3.75% to 3.64% in Q3 2018.

Figure 2: Earnings Growth Rate, 4-Quarter Moving Average (Annualized)



Virginia HC&SA Earnings Growth Rate by Earnings Type

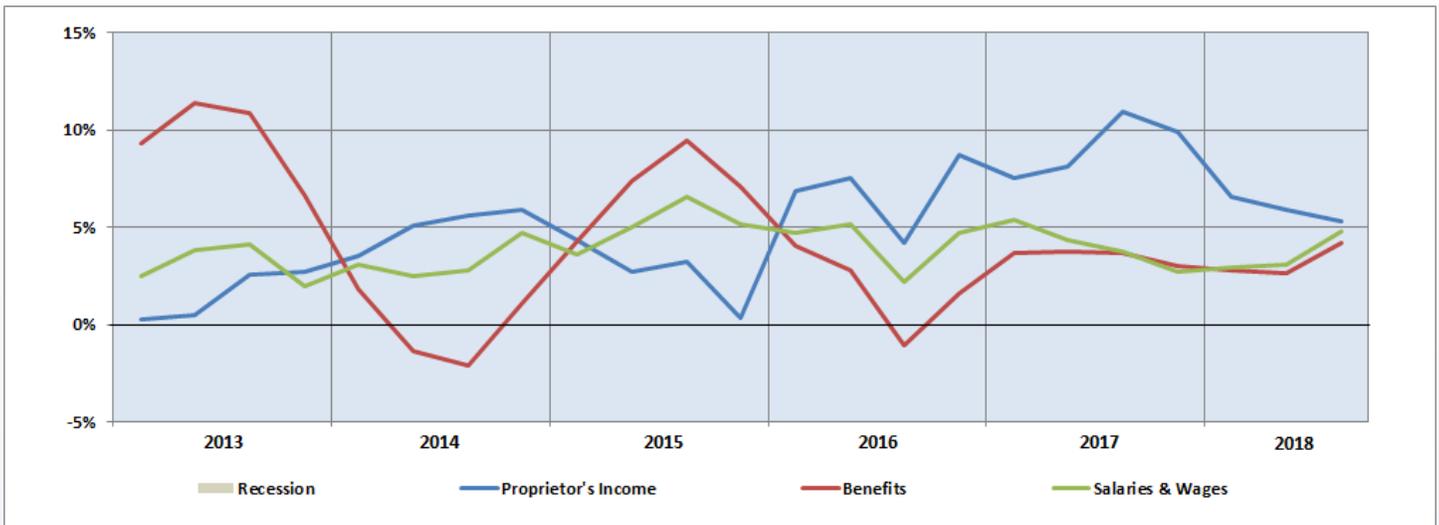


Figure 3: Earnings Growth Rate by Type of Earnings, 4-Quarter Moving Average (Annualized)

Both forms of HC&SA employee compensation in Virginia experienced a dramatic increase in their four-quarter growth rate moving averages in Q3 2018. The four-quarter moving average of the growth rate in HC&SA employee salaries & wages increased for the third consecutive quarter in Q3 2018 from 3.07% to 4.78%. As for HC&SA employee benefits, its four-quarter growth rate moving average increased from 2.61% to 4.19% in Q3 2018. At this level, the four-quarter moving average of the growth rate in Virginia’s HC&SA employee salaries & wages has reached its highest value in nearly three years. On the other hand, the four-quarter moving average of the growth rate in Virginia’s HC&SA proprietor’s income fell for the fourth consecutive quarter in Q3 2018 from 5.87% to a two-year low of 5.33%.

Annual Growth by Earnings Type

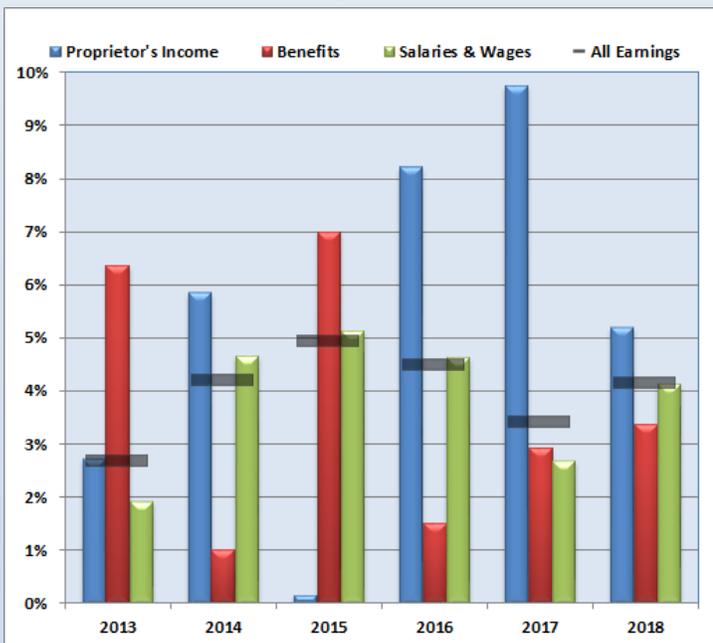


Figure 4: Virginia HC&SA Earnings Growth Rate by Type of Earnings (Annualized)

In both 2016 and 2017, proprietor’s income was the fastest growing HC&SA earnings type in the state, and this trend is continuing into 2018 as well. So far this year, HC&SA proprietors income has grown at a 5.2% annualized rate. Regardless, although HC&SA proprietor’s income continues to grow at an above-average rate, its current year-to-date annualized growth rate represents a significant slowdown relative to its 8.2% growth rate in 2016 and its 9.7% growth rate in 2017.

Meanwhile, both forms of HC&SA employee compensation are enjoying faster growth rates so far in 2018. In 2017, HC&SA employee salaries & wages grew by 2.7%, while HC&SA employee benefits grew by 2.9%. However, these two types of HC&SA earnings currently have annualized growth rates of 4.1% and 3.4%, respectively, in 2018. For HC&SA employee benefits, this represents its highest annualized growth rate since 2015.

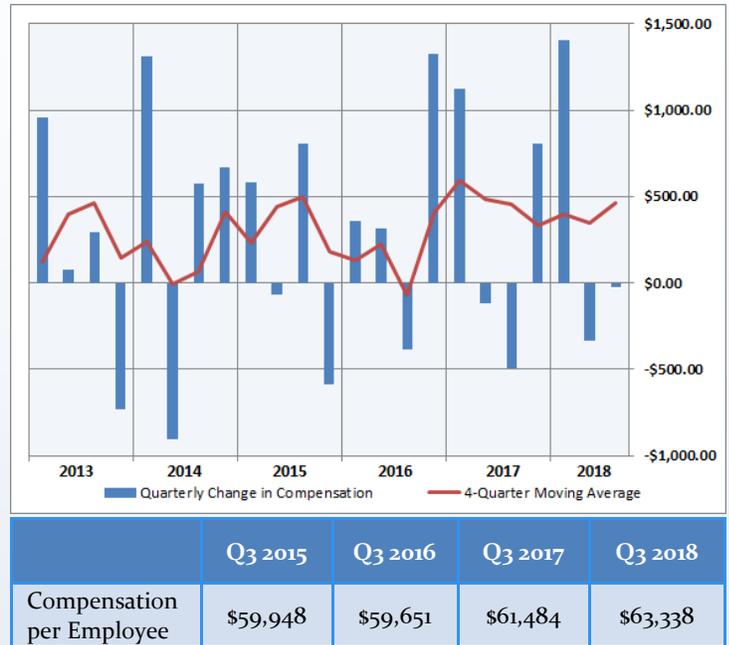
Earnings Type	Level (Millions)	Share
Proprietor's Income	\$3,171	10.2%
Benefits	\$4,667	15.0%
Salaries & Wages	\$23,337	74.9%
Total	\$31,175	100%

HC&SA Compensation per Employee

According to the Healthcare Workforce Data Center’s estimates (see methodology, next page), employees in Virginia’s HC&SA sector earned an average of \$63,338 (annualized) in Q3 2018. Note that this figure includes salaries & wages plus the cost of benefits for employed persons only. Practitioners in private practice, which includes a large number of the sector’s highly paid professionals, are not included in this figure.

Despite an increase of \$258 million in total HC&SA compensation in Virginia in Q3 2018, total HC&SA compensation per employee actually decreased slightly by \$23 during the quarter. This represents the second consecutive quarter in which total HC&SA compensation per employee has declined. However, thanks to a large increase of \$1,404 in Q1 2018, total HC&SA compensation per employee has still grown by \$1,045 so far in 2018. In addition, the four-quarter moving average of the change in total HC&SA compensation per employee reached its highest level in more than one year.

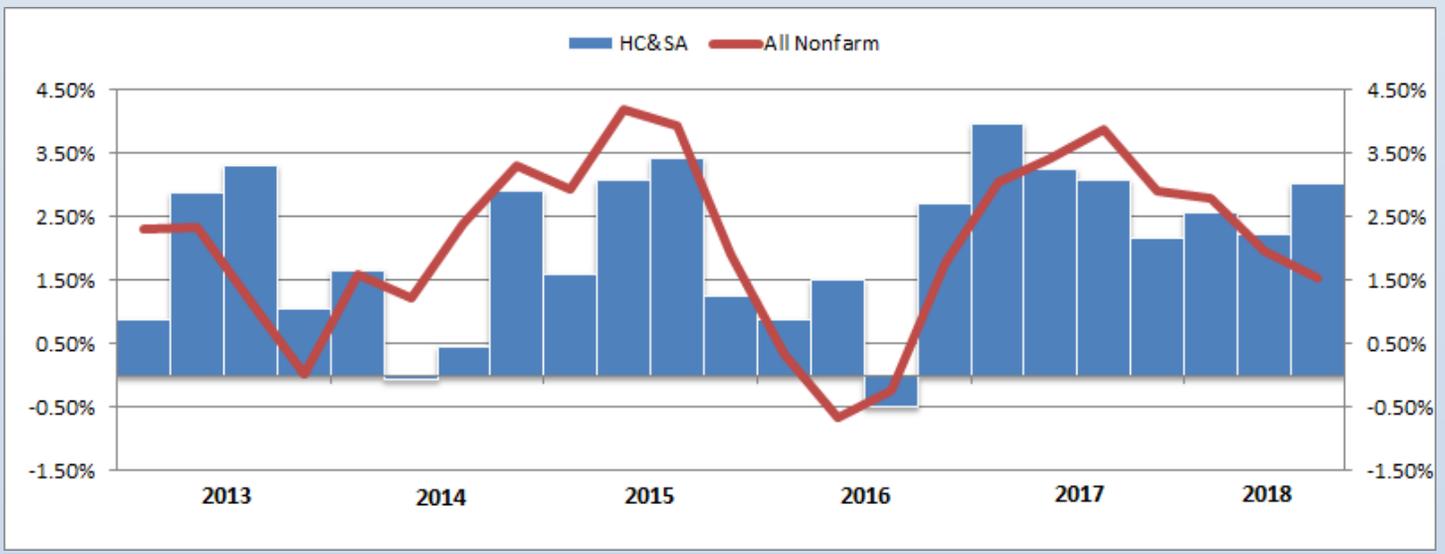
Figure 5: Quarterly Change in Employee Compensation from Virginia’s Health Care & Social Assistance Sector.



Compensation per Employee Growth Rate

The year-over-year growth rate in Virginia’s HC&SA compensation per employee increased significantly in Q3 2018 from 2.23% to 3.02%, thereby reaching its highest value in one year. With this gain, the spread between the year-over-year growth rates in Virginia’s HC&SA compensation per employee and the state’s total nonfarm payroll compensation per employee widened considerably during the quarter. In fact, the year-over-year growth rate of Virginia’s HC&SA compensation per employee is nearly double the comparable rate for Virginia’s total nonfarm payroll compensation per employee. The year-over-year growth of Virginia’s total nonfarm payroll compensation per employee fell for the fourth consecutive quarter in Q3 2018 from 1.98% to 1.54%. This represents its lowest year-over-year growth rate in two years.

Figure 6: Year-Over-Year Change in Compensation Per Employee.



Definitions

Economic data in this briefing is from the US Bureau of Economic Analysis' Regional Economic Accounts. In particular, we use the Quarterly State Personal Income Accounts. The definitions provided here are written for a lay audience. More technical definitions and in-depth information on the Regional Economic Accounts are available on the BEA's website: <http://www.bea.gov/regional/about.cfm>.

Personal Income: Income received from all sources, including salaries & wages, benefits, business profits, rents, government payments or retirement and investment funds. Personal income is based on where recipients live.

Earnings: Earned income includes salaries & wages, benefits (aka supplements to wages and salaries) and proprietor's income. Earnings and its components are based on where recipients work.

Proprietor's Income: Income from small businesses (sole proprietorships & partnerships), corporate director's fees and tax-exempt cooperatives. It does NOT include dividends or interest received by non-financial businesses or rental income received by non-real estate businesses.

Compensation: Salaries & wages and benefits.

Benefits: Referred to as "supplements to wages and salaries by the BEA, benefits includes employer contributions to retirement funds, insurance (including health and life) and to government social insurance programs (e.g., unemployment insurance, Social Security, worker's compensation insurance, etc).

Salaries & Wages: Salaries, wages, commissions, bonuses and tips, before deductions, based on when payments are disbursed. The value of stock options are also included at the time the options are exercised.

Method of Estimating Compensation per Employee

The HWDC derives estimates of compensation per employee from two sources: 1) US Bureau of Economic Analysis' Regional Economic Accounts (REA), and, 2) the Current Establishment Survey (CES) administered jointly by the US Bureau of Labor Statistics and the US Census Bureau. These sources use different methodologies and different definitions. Although more vigorous estimates of employment are available, the HWDC uses these sources to provide the most timely indication of current trends possible at the state-industry level. The HWDC estimates are early indicators only.

To make the two data sources more comparable, the HWDC makes the following transformations:

CES: To obtain quarterly estimates of employment, monthly figures are averaged for the quarter. For nonfarm employment, we remove the latest available estimate of logging employment from the Quarterly Census of Employment and Wages, rounded to the nearest hundred, from nonfarm totals in the CES prior to averaging.

REA: From nonfarm compensation (or its components), we remove military earnings, agriculture, fishing and forestry earnings and an estimate of earnings from households. For household earnings estimates, we use the REA's Annual State Personal Income and Employment tables to develop current estimates of the proportion of "Other services, except public administration" compensation from employment in private households. We use the most recent data available for the current quarter. We apply this proportion to the current quarterly estimate of "Other services, except public administration".

Despite these transformations, the figures are not wholly comparable. The BEA makes additional adjustments to BLS data when creating its own, annual estimates of employment. Historical indicators are not adjusted by the HWDC, however adjustments made to REA or CES series are incorporated into historical data. For more information on employment data and the REA, see the BEA's *State Personal Income and Employment Methodology*, pages XI-1 to XI-11 & Table K.



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The Department of Health Professions Healthcare Workforce Data Center works to improve the data collection and measurement of Virginia's healthcare workforce through regular assessment of workforce supply and demand issues among the 80 professions and 350,000 practitioners licensed in Virginia by DHP.

The HWDC collects data on Virginia's licensed health professionals through surveys completed during the online license renewal and application process. Survey results and data may be accessed on our website: www.dhp.virginia.gov/hwdc/.

The HWDC also provides a series of Virginia Healthcare Workforce Briefs based on data collected by the US Department of Labor's Bureau of Labor Statistics and the US Department of Commerce' Bureau of Economic Analysis.

Virginia Healthcare Workforce Briefs:

Series 1: State & National Employment (Monthly)

Series 2: Virginia Regional Employment (Monthly)

Series 3: Income & Compensation (Quarterly)

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About the Data

Data used in creating this report is from the US Department of Commerce' Bureau of Economic Analysis' Regional Economic Accounts. Unless otherwise noted, data is seasonally adjusted and annualized, and quarterly presentations are based on the calendar year. Data from recent quarters is preliminary and subject to revision in future releases from the BEA. Revisions will be reported in future editions of this series.
